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SUBJECT: KIEN GIANG PROVINCE: PRACTICALLY PERFECT, IF NOT FOR THE POVERTY

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¶1. (SBU) SUMMARY. The southern Mekong Delta province of Kien Giang faces significant challenges in attracting foreign investment and reducing poverty. Despite impressive recent economic growth, mostly due to rice farmers converting to more profitable shrimp farming, the province is still underdeveloped, lacking infrastructure and educational and health care facilities. Most plans for economic diversification center around tourism development of the island of Phu Quoc and attracting both foreign direct investment and foreign development assistance. During a recent visit to the provincial capital Rac Gia, DPO and Poloff met with Kien Giang People's Committee Vice Chairman Van Ha Phong, representatives of the Provincial Committees for Ethnic Minority and Religious Affairs, the Department of Planning and Investment (DPI), and the Department of Labor, Invalids, and Social Affairs (DOLISA). END SUMMARY.

¶2. (U) Kien Giang encompasses a 6000 square kilometer area in the southwest corner of Vietnam. It includes 105 small and large islands, the largest of which is Phu Quoc, and shares both a land and sea border with Cambodia. Kien Giang's 1.6 million people include a substantial ethnic Khmer population, as well as Chinese, Cham, and over 20 other minority groups. Kien Giang's primarily agricultural economy has seen GDP growth rates of 9-12% over the past four years, including a record 13.25% in 2002.

3 (SBU) While Kien Giang has enjoyed recent rapid growth, largely by converting rice land to shrimp farming, its economy is limited to a few sectors. Other than agriculture and seafood, its only industry is mining limestone. The DPI could only name four FDI projects in the province, all Taiwanese, and only one worth over USD\$1 million. Vice Chairman Phong reported that although local businesses were aware of the Bilateral Trade Agreement with the U.S., he had not seen any noticeable impact on the province. He claimed that Kien Giang's 2003 exports total only USD\$150 million to date and are primarily to neighboring countries. It is not clear, however, if any of the province's agriculture and aquaculture production is exported indirectly via other provinces.

4 (SBU) Kien Giang's major push to develop and diversify its economy is the development of Phu Quoc Island as a regional tourist center. The central GVN, working with provincial officials, has developed a master plan for eco-tourism, scheduled for release in the near future. They have already solicited bids from 60 companies, including three American firms, to participate in Phu Quoc development. An airport upgrade has begun in order to allow direct flights from Bangkok and Singapore. According to the plans, by the end of 2003, the Phu Quoc airport will be able to accommodate Fokker regional jets, and by 2005 it will support an Airbus A320. Plans also call for Phu Quoc's two ports to be upgraded to accommodate cruise ships and for a casino to be built on the island. While a Malaysian company has expressed interest in this project, the provincial DPI chairman was so impressed by his recent visit to Las Vegas that he plans to solicit an American casino company to partner with them.

¶5. (SBU) Plans of casinos and cruise ships and rapid economic growth mask other indicators of poverty. According to local officials only 60% of communes have electricity and reasonably clean (i.e. passed through some initial treatment) water. Although 97% of children in the province ages 6-10 years attend school, educational facilities are typically modest, with 1200 classrooms still covered by thatched roofs. The GVN has issued bonds to help provincial authorities pay for classroom renovation, expected to be completed by 2005.

¶6. (SBU) Several NGOs and foreign aid agencies are active in the province, including Australian, French, and Swiss NGOs, Danida, and USAID. Most projects focus on clean water, rural roads, environmental issues, and health care. The Swiss Red Cross has also sponsored a project to build homes for the poor, building 750 at a cost of USD\$1200 per house. Provincial authorities contributed 15% to this project and also launched a separate project to build another 2500 homes at a cost of about USD\$130 per house. Provincial authorities are seeking additional development assistance for more water, roads, and health care projects.

¶7. (SBU) The Provincial Committee for Religious Affairs claimed that the province faced no contentious religious issues. Eight Protestant churches affiliated with the official GVN-recognized

Southern Evangelical Church of Vietnam are legally registered, while there are no other groups planning to register churches, according to the provincial committee. Officials claim that no house churches operate in Kien Giang. They said only the Hoa Hao practice at home, and this group has been legally registered since 12001. Kien Giang operates a Buddhist high school, and the province includes 74 Khmer Buddhist pagodas serving the large minority population.

18. (SBU) Despite the province's long border with Cambodia, Vice Chairman Phong claimed they had no major border problems. He mentioned occasional fishing disputes, but did not discuss piracy (reftel). He claimed that Kien Giang was not used for trafficking in persons or drugs because it is too far from the major cities, so the cost is too high. DOLISA reported, however, that the province had over 1000 drug users (like many other official numbers about "social evils," it is likely a significant underestimate) and an active HIV/AIDS prevention committee.

19. (SBU) Post had received some reports from Vietnamese-Americans that the local government had unjustly seized land from their relatives in Kien Giang. DPO raised these reports with provincial People's Committee Vice Chairman Phong, who claimed he was unaware of any such incidents. He added, however, that the GVN has a consistent policy on land expropriation for community development throughout the country. Referring to heavy damage during the Vietnam war, he noted that to reduce poverty in Kien Giang, the government had expropriated land for quite a large number of infrastructure, school, and hospital projects. He claimed that all such projects had some limited problems, with 5-15% of those affected complaining -- usually over the price the government paid. He said the process was fair, with prices for expropriated land set by an evaluation board composed of both local residents and authorities.

110. (SBU) COMMENT: Kien Giang officials were friendly and seemed genuinely happy to welcome official American visitors. As is typical with our provincial trips, local officials were eager to attract American investment and open to U.S. development assistance. With daily flights to Ho Chi Minh City and a colorful fishing fleet, Rac Gia offers some of the bustle and charm missing from other more isolated provincial capitals in the Mekong Delta. Besides the Phu Quoc tourism projects, however, officials had few real ideas for developing and diversifying the economy. They were cautious about providing specifics on investing in Phu Quoc until Hanoi has approved their development plan. It is not clear how much longer Kien Giang can count on dramatic growth from new shrimp farms. At DPI, at least, the leadership appears to be hoping that a big gamble on casinos will pay off.

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